The process of globalization has furthered economic growth and development in many cases, but concerns have been expressed that certain groups of individuals or economies have not been able to share in the gains from globalization. Globalization provides significant opportunities for welfare gains through the increased flows of goods, services, technologies and ideas. It has been argued, however, that many poor countries have not managed to take advantage of those opportunities as they lack the skills required to adopt new technologies from abroad and to deal with the rapidly changing conditions that globalization brings about. In developed countries, there are indications that globalization has increased the inequality of labour-market outcomes. In particular, many low-educated people have found it hard to benefit from the opportunities globalization offers, because demand for their skills has decreased and because they find it hard to adjust to a constantly changing working environment. Education policies affect both efficiency and distribution. They determine whether individuals acquire the capabilities required to share in the gains from globalization and whether countries can take advantage of the opportunities offered by globalization. As such they take center stage in increasing the social sustainability of globalization.

A significant number of studies have shown that education is a main driver of economies’ growth. In the past, relevant studies used average years of schooling as a measure for the education level of a country’s workforce. Over the past decade, research has rather used direct measures of learning and skills of the population. Cognitive skills encompass basic knowledge and competencies in such domains as reading and understanding, mathematics, and science and the ability to apply this knowledge in different settings. These skills may be acquired in school, but also at home and in interactions with peers and wider communities. In applied research, cognitive skills are measured by comparable international student achievement tests in such basic knowledge areas as mathematics, science, and reading.

Based on empirical work using student achievement tests, cognitive skills have been repeatedly found to be a leading predictor of long-run growth. Those findings indicate that what individuals have learned in school is a good predictor for the accumulation of further skills in life and the capacity to deploy these skills effectively. The findings also suggest that strong cognitive skills learned during school facilitate lifelong learning in the sense of a constant adjustment to new technologies and to change more generally. The extent to which the relevant skills can be learned during adulthood remains an open issue, although recent evidence suggests that later remediation tends to be very costly.

Empirical studies have further shown that the positive effect of cognitive skills gets larger with the extent to which a country is open to the world economy. A possible interpretation of this finding is that skills have more scope to facilitate the adoption of new technologies in countries whose institutional environments are more readily devised to let ideas from other countries flow into the local economy. Countries that combine high cognitive skills with openness are most readily capable to profit from globalization.

An additional question is which type of skills is required to profit from globalization. Does an economy require a small group of “rocket scientists” capable of high-end technological imitation and innovation, or are approaches such as UNESCO’s “Education for All” initiative more promising in spurring growth? Empirical evidence suggests that both, basic and top performance, matter for growth. In other words, increasing basic literacy and advancing the best students should be
considered complementary policies. Furthermore, the importance of a cadre of highly skilled individuals is even more important in developing countries that have scope for imitating rich countries’ technologies than in developed countries that are already innovating.

Based on the above, a number of priorities for education policies arise, the details of which will depend on the education system already in place in a given country. A number of measures can help achieve more equitable educational outcomes within countries, both where the average level of skills is already high and where education systems do not perform very well. A system of early childhood education that ensures a decent early education for children from disadvantaged background appears to be a crucial element of an equitable education system. A growing body of evidence suggests that the formation of skills is a life-cycle process that exhibits self productivity and dynamic complementarity. In this perspective, education learned at one stage is an input into the learning process of the next stage, and the productivity with which investments at one stage of education are transformed into valuable skills is positively affected by the level of skills that a person has already obtained in the previous stages. Another finding is that the practice of early tracking into different types of schools tends to increase the inequality of educational outcomes. Further education policy priorities refer to a combination of public funding with private operation of schools, policies that attract, retain, and motivate high-quality teachers, and institutional features like school accountability and autonomy that focus incentives on learning outcomes.

Additional measures may help technological follower countries with low-performing education systems. One such measure consists in shifting education policies from a focus on school enrolment and attainment to a focus on learning outcomes. Demand-side incentive programs, which are commonly used in developing economies to raise skill levels, have a promising role to play, but they need to be well-designed. It has, for instance, been shown that subsidization of school attendance led to higher attainment and attendance level. But such schemes tend not to have a significant impact on acquired skills. Scholarship programs for students who score well in academic exams, instead, have been found to positively affect achievement levels.

To sum up, education policies have an essential role to play in making globalization more inclusive, by allowing more individuals and a larger number of countries to benefit from the gains from globalization. Taking into account the status quo, rich countries should aim to ensure that children from disadvantaged backgrounds receive a high-quality education, ideally starting with early childhood education. Skill policies in poor countries should aim to lift the skill level of their populations in a way that allows them to profit from the international flow of ideas, which requires improvements in educational outcomes throughout.